Chain Store Age EXECUTIVE

with Shopping Center Age

The newsmagazine for retail operations

October 1980

Retail Technology '80

-3/12/81 C 5150 4

Modern Merchandising's Harold Roitenberg

Best Products' Andrew Lewis

Service Merchandise's Raymond Zimmerman

COMPETITION

Catalog showrooms now battle each other

FIFTEEN DOLLARS A YEAR (USA)

BEST AVAILABLE COPY

Chain Store Age
EXECUTIVE
with Shopping Center Age
The newsmagazine for retail operations

Contents

29 Catalog showrooms battle each other
Chains fight for territory.

32 Eckerd Corp. seeks Rx for future prosperity
A healthy company looks for healthier profits.

39 J. C. Penney breaks the mold
A departure from tradition for the new Pasadena, Calif., store.

Page 29

RETAILING TECHNOLOGY

What's here, what's ahead.

41 Getting it altogether with teleconferencing

44 Third-party credit can cut paperwork

46 DDP clicks with chains

50 Hard savings an MIS statistic now

Page 32

6 Editorial
8 Washington Commentary
8 NewsAnalysis
10 Accounting News & Views
17 Insurance & Benefits Report
18 Cutting Your Losses
19 Advertising News
20 Book Reviews
27 Executive Eye on Law and Government
60 New Stores & Shopping Centers
71 New Equipment & Services
74 Realtor Services
80 Classified Advertising
83 Advertising Index
84 People in the News

Page 41

AFFILIATIONS
Member of the Audit Bureau of Circulations, and Magazine Publishers Association.

Having a problem with your subscription? Send us full details, including the mailing label from the last copy you received, along with your telephone number. We'll do everything possible to solve the problem at once. Write to: Circulation Fulfillment Director.

Hard savings an MIS statistic now

While retailers eagerly await the "soft" savings from scanners and other management information systems (MIS), most admit they are still working out the bugs in their programs and striving for more basic benefits—the so-called hard savings.

In the past, MIS directors have been preoccupied with the start-up problems associated with scanning, such as establishing Universal Product Codes, winning management approvals, installing the new technology and educating store employees or wary consumers.

Now, however, this groundwork has been laid, and scanning is winning praise from most quarters. In addition, data processing officials are beginning to realize hard benefits like reduced shrinkage and better front-end productivity.

Software savings—derived from program information and not the equipment itself—are still several years away for most grocers, but already MIS directors like what they foresee. These potential benefits include:

- Better merchandising information, with earlier and more accurate data on new products, seasonal goods and display changes;
- Better pricing information originating from a more complete analysis of promotions, advertising and marketing decisions;
- Better inventory controls, with closer tracking and supervision of goods flowing from receiving all the way through checkout.

Potential benefits of the systems: better pricing information, controls

"It is easier to get across the word about hard savings because store managers can really see those benefits," says Donald R. Buchanan, Giant Food's vp-data processing. "But eventually, the soft savings will be more important than the hard savings.

"The net result of utilizing all the soft savings will be to manage companies differently from the top," Buchanan continues.

With information on item movement from individual units, "each store can be tailored to the socioeconomics of a particular neighborhood. There will be be less unnecessary inventory and more of what our customers want."

Other MIS directors agree that software benefits will revolutionize supermarket retailing, adding that better data should also be helpful for accounting and security reports.

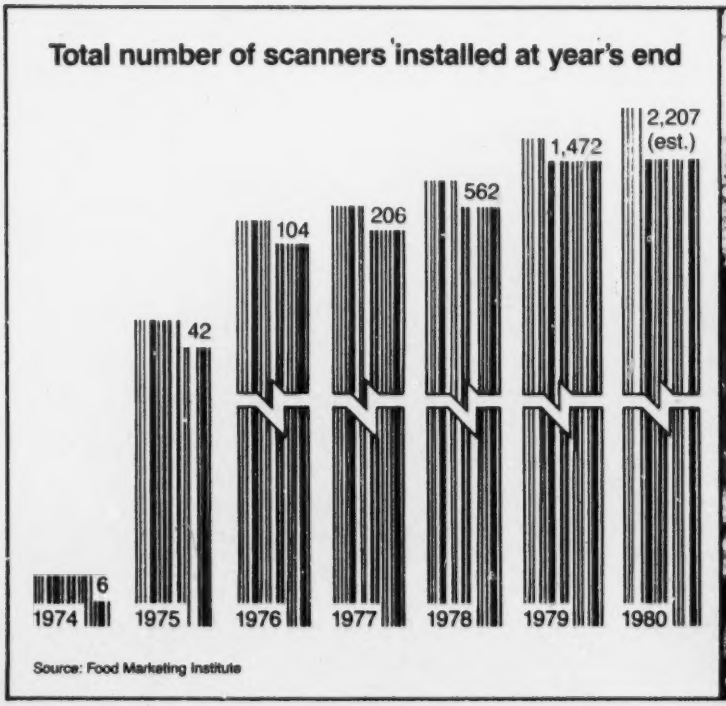
About the only problem experts envision with soft savings is that management might be overwhelmed by the resulting memos and new statistics. Says one data processor, who expects the overload to be cleared up soon:

"Right now, we are still in the throes of learning how to deal with the monumental amounts of new information. Time will do a lot of the healing, though," as retailers learn to sift out the useless data.

While most software benefits have yet to be realized, many grocers are already seeing the hard savings from scanning, such as:

- Faster checkouts and check authorizations;
- Gains in store productivity, labor productivity and inventory turns;
- A reduction in shrink, both as the possibility of "sweetheart checking" is reduced and as price change capabilities are speeded up. (Sweetheart checking occurs when a cashier rings up an item at a discount, usually for a friend.)

With scanning equipment, a cashier can ring up and bag an item



in one motion, thus reducing labor costs and a shopper's waiting time. In addition, the scanner provides faster check approvals, more detailed register receipts and identification of food stamp items—all of which contribute to widespread reports of consumer acceptance.

From an operations standpoint, retailers report the equipment gives them better control over front-end scheduling, price changes and inventory losses. Payback on the scanners ranges from a year and a half to two years, depending on a store's volume and start-up problems.

Instead of relying on intuition, store managers now have printouts to help them in front-end scheduling, which has resulted in higher checker productivity and a more efficient use of lanes.

One chain estimates that its cashiers process 17% more per hour with scanning

In fact, Wisconsin-based Roundy's estimates that its cashiers process about 17% more items per hour under the scanning program, says Michael D. McGee, the company's vp-corporate stores division.

As for inventory controls, scanners eliminate many misrings and opportunities for sweetheart checking, inasmuch as UPC markings (and not cashiers) register the item prices. In addition, automatic price changes help grocers recover monies otherwise lost when price increases aren't passed on.

Finally, another return on investment comes from data retailers collect and then sell to research firms. As one MIS director at a Midwest chain says:

"We've already made several thousand dollars selling the information, and all we have to do is forward them our tapes. In turn, that data goes to the manufacturer, which eventually helps him give us more desirable products."

By contrast, general merchandisers have not seen the same soft or hard savings with wanding, in part because their unit volume doesn't justify the minimal speed-up in transactions or replenishment.

Moreover, grocers have resolved most of the problems with their UPC markings, whereas the general merchandiser's preferred code (OCR-A) is a continuing headache.

That's because many vendors still aren't using the code, and stores have encountered trouble in marking the tickets themselves, not to mention the additional labor that requires. In addition, discount stores that carry food and general merchandise are hampered by the incompatibility of the OCR-A and UPC systems.

Return on investment can come from scanner data sold to research firms.

In spite of these obstacles, innovative companies, such as J. C. Penney and Dillard, are already seeing hard and soft gains with wanding, so it's only a matter of time until other general merchandisers catch up to them in MIS. ■

Kohler power keeps your business in business.

Emergency electricity to operate lights, HVAC and Front End Systems during blackouts.

Protect your customers and your business. Choose from more than 100 Kohler emergency generator systems — 3 to 1000 KW.

Economical models just for the essentials — larger units to run front end systems and guarantee "business as usual."

For more information contact your Kohler Distributor — he's in the Yellow Pages under Generators — or use the coupon.

☐ Send special 16-page "Blackout Supplement" from January CHAIN STORE AGE EXECUTIVE.

☐ Send "Kohler Standby Systems" — describing full line of generators and transfer switches.

name _____

title _____

company _____

address _____

city _____ state _____ zip _____

KOHLER GENERATORS

GENERATOR MARKETING, DEPT. CS
KOHLER CO. KOHLER, WI 53044
PHONE 414-565-3381

For more information circle 33 on reply card.